

VZCZCXRO7231
RR RUEHBC RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #3332 2901413
ZNY SSSSS ZZH
R 161413Z OCT 08
FM AMEMBASSY BAGHDAD
TO RHEBAAA/USDOE WASHDC
INFO RUCNRAQ/IRAQ COLLECTIVE
RUEHC/SECSTATE WASHDC 9982

S E C R E T BAGHDAD 003332

NOFORN

SIPDIS

DOE FOR MFALKOWSKI, CDAY, SHUTCHINS

E.O. 12958: DECL: 10/16/2018
TAGS: [EINV](#) [ENRG](#) [EPET](#) [IZ](#)
SUBJECT: IRAQ MINISTRY OF OIL QUIETLY OFFERS CONTRACTS
DIRECTLY TO COMPANIES

REF: BAGHDAD 03241

Classified By: CETI Ambassador Marc Wall, reasons 1.4(b,d)

11. (S//NF) Summary: Iraqi Deputy Minister of Oil (MoO) for Upstream Affairs, Abdul Sahib Al-Qutub, sent three identical letters to Repsol YPE, Nippon Oil Exploration Limited, and Eni S.p.A. requesting a detailed proposal for developing the Nasiriya oil field under a two-year Engineering, Procurement, and Construction (EPC) type of contract. According to MoO Officials, this is not a one time deal and similar EPC contracts will be directly offered to other companies as well. The EPC contracts are separate from the Producing Field Technical Service Contracts (PFTSC) for which pre-qualified companies received bidding packages at the 13 October meeting in London. This type of contract negotiation conflicts with Minister of Oil Husayn al-Shahristani's recent statements boasting transparent and competitive oil contracts. End Summary

A New Type of MoO Oil Contract

12. (S//NF) In a meeting led by Deputy Minister Qutub on 15 September, it was decided that an EPC type of contract would be used to develop the Nasiriya oil field. This contract would require the oil company to completely develop the field to full production within two years. Full production for the Nasiriya field would be 100,000 bbl/day. (Comment: It is unlikely that this could be completed in only two years given the contract requirements, which include a 3D seismic survey.) Other meeting participants included Hassam Jabar, Director General of the Oil Exploration Company, and heads of and technical experts from the Directorates of Planning Studies and Follow Up and Reservoirs and Fields Development.

EPC Contracts Offered to Three Companies

13. (S//NF) On 17 September, Qutub sent identical letters to Repsol YPE, Nippon Oil Exploration Limited, and Eni S.p.A. requesting a feasibility study, 3D seismic survey, and detailed engineering project proposal for the Nasiriya Field. The proposal and the study are due by 17 December. Separately, the MoO has informally suggested to the three companies that they should jointly develop Nasiriya as a consortium. Reportedly, the MoO plans to extend similar EPC contracts directly to other companies for additional fields. Repsol, Nippon, and Eni are among the 35 pre-qualified companies that participated in the 13 October meeting in London to purchase bidding packets and receive instructions for submitting a long-term PFTSC bid on six oil and two gas fields (reftel). (Comment: While the MoO apparently will use the PFTSCs for mainly large developed oil fields, EPC contracts are expected to be used for small undeveloped

fields like Nasiriya.)

Not So Transparent Negotiations

14. (S//NF) The Ministry's direct request to Repsol, Nippon, and Eni conflicts with statements made by Minister Shahrستاني in an interview with al-Jazeera on 27 September. In the interview Shahrستاني said, "(The MoO is) not directly negotiating with any companies, rather we announced the first round of licensing. Companies are entitled to compete and provide their offers publicly, transparently, and in a clear way."

15. (S//NF) Comment: Under the terms of this turnkey service contract the field should be completed and producing within two years. Then, after the contract ends the field would revert to the MoO. Oil companies are usually not attracted to this type of contract. The companies may use this opportunity primarily to strengthen rapport with the MoO and increase chances of receiving other contracts in the future. For example, Eni is currently in talks with the MoO concerning a new Southern Strategic Pipeline contract and a partnership with the Iraq Drilling Company. Future business could potentially be the carrot that brings these companies to the table. Studies conducted by the MoO and foreign companies (including Repsol, Nippon, and Eni) on the Nasiriya field show similar reserve estimates of about 7.6 billion barrels for the al-Musharraaf reservoir, but range from 1.7 - 6.8 billion barrels for the al-Yamamah reservoir.

CROCKER